

Message Text

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SUBJECT: DISCUSSION WITH TURKEY CONSORTIUM OFFICIALS

REFS: (A) OECD PARIS 3205 (B) STATE 28506
(C) ANKARA 567

1. TURKEY CONSORTIUM CHAIRMAN GIEL AND SECRETARY KUEHN BRIEFED MISSION OFFICERS FEBRUARY 10 ON STATUS OF THEIR EFFORTS TO CONVENE ANOTHER MEETING OF CONSORTIUM. THEY WOULD LIKE TO HOLD A MEETING IN MAY OR JUNE, AND ARE SCHEDULED TO GO TO ANKARA FOR CONSULTATIONS IN EARLY MARCH, AFTER GOT 1977 BUDGET IS TO HAVE BEEN VOTED. AS USUAL, THEY ARE NOT SURE TURKS REALLY WANT TO SEE THEM AND THINK TRIP MIGHT BE FURTHER DELAYED. (THEY RECALLED THAT GOT HAD ASKED IMF NOT TO SEND MISSION LATE LAST YEAR, AND ONLY TECHNICAL MISSIONS ARE BEING WELCOMED FROM IBRD.)

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2. GIEL AND KUEHN ARE CONCERNED ABOUT TURKEY'S BALANCE OF PAYMENTS SITUATION. KUEHN HAS BEEN TELLING US INFORMALLY OVER PAST SEVERAL MONTHS THAT SITUATION LOOKS BAD TO HIM, BUT NOW BOTH HE AND GIEL FEEL IT THEIR DUTY TO BRING THEIR CONCERNS TO ATTENTION OF CONSORTIUM MEMBERS IN SOME FORMAL MANNER. THEY ARE AWARE OF GOT'S CONTINUING EFFORTS TO ATTRACT COMMERCIAL FUNDS TO HELP FINANCE B/P

DEFICIT, BUT WONDER WHETHER THESE EFFORTS WILL BE ADE-
QUATE TO COVER AN ON-GOING DEFICIT THEY ESTIMATE AT UP TO
DOLS 2 BILLION PER YEAR.

3. THEIR FIRST PREFERENCE WOULD BE TO CONVINCE GOT TO
AGREE TO A NORMAL CONSORTIUM MEETING AT WHICH BOTH SHORT-
TERM AND LONG-TERM DEVELOPMENT NEEDS AND PROSPECTS WOULD
BE DISCUSSED. GIEL IS TRYING TO GET FRG TO WITHHOLD
SIGNING OF AID AGREEMENT FOR 1977 PENDING CONSORTIUM
MEETING IN ORDER TO PROD TURKEY, BUT HE IS NOT SURE GER-
MANS WILL AGREE. MINDFUL OF GOT'S TRADITIONAL RELUCTANCE
TO DISCUSS ITS ECONOMIC POLICIES WITH OTHER OECD MEMBERS,
ESPECIALLY DURING AN ELECTION YEAR AND WHEN THERE IS NO
PROSPECT THAT MEETING WOULD RESULT IN SIZEABLE NEW ASSIS-
TANCE PLEDGES, GIEL AND KUEHN RATHER PESSIMISTIC THAT
GOT WILL AGREE TO CONSORTIUM MEETING. IF THIS IS CASE,
THEY WOULD LIKE TO EXPLORE WITH MAJOR MEMBERS (FRG, U.K.,
FRANCE AND U.S.) POSSIBILITY OF CONVENING MEETING OF
CONSORTIUM'S WORKING GROUP ON SHORT-TERM DEBT OF TURKEY,
EVEN WITHOUT TURKISH PARTICIPATION, TO DISCUSS B/P OUT-
LOOK. GROUP ALREADY EXISTS, BUT HAS NOT MET FOR MANY
YEARS. GIEL AND KUEHN FULLY AGREED WITH OUR
OPINION THAT THEY SHOULD PROCEED VERY CAUTIOUSLY DUE TO
POSSIBLE EFFECT ON TURKEY'S CREDIT RATING OF KNOWLEDGE
THAT CONSORTIUM MEETING TO DISCUSS DEBT SITUATION, ES-
PECIALLY WHEN GOT IS MAKING CONCERTED EFFORT TO ATTRACT
MORE COMMERCIAL FUNDS. IN LIGHT OF THIS CONSIDERATION,
THEY MAY PREFER A MORE INFORMAL MEETING WITH PERMANENT
DELEGATIONS HERE COVERING BOTH SHORT-TERM AND DEVELOPMENT
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SITUATION.

4. GIEL AND KUEHN WILL BE CONSIDERING HOW BEST TO PRO-
CEED, ESPECIALLY IN LIGHT OF WHETHER OR NOT THEIR ANKARA
VISIT IS DELAYED, AND WILL BE CONSULTING WITH OTHER DELE-
GATIONS. WE WOULD WELCOME ANY GUIDANCE WASHINGTON AND/OR
ANKARA CAN PROVIDE FOR USE IN OUR FUTURE DISCUSSIONS.
FYI: TWP WILL DISCUSS B/P SITUATION OF SMALLER OECD
COUNTRIES, INCLUDING TURKEY, ON FEBRUARY 25, BUT GIEL AND
KUEHN DO NOT FEEL EXTENDED DISCUSSION OF TURKEY'S SITU-
ATION WOULD, OR COULD, BE TAKEN UP AT THAT MEETING.
TURNER

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